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MARKETING ISSUES IN PEASANT AGRICULTURAL DEVELOPMENT

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Abstract. The aim of this paper is to discuss some important marketing issues in the interface between the marketing system and the peasant economy. It is held, that agricultural development requires the integration of the peasants in the wider economy, and further, that it is necessary for the peasant economy to produce a surplus to be used for the expansion of the overall productive capacity of society. The extraction of the surplus is done at the risk of exploiting the peasants. In this process the marketing system has the dual role of conveying and transacting commodities as well as mobilizing and transferring factors of production (capital and labour).

In congruence with marketing thinking, "models of peasants" are presented, but the almost total disagreement as to how to view the peasant economy, leaves no room for deducing the set-up of the marketing system from the models, beyond that of specifying the overall tasks to be performed.

A detailed discussion of the organization of the marketing system is carried out for each of the principal channels, linking the peasant economy with the outer world, and severe dilemmas in the food, produce and input channels are pointed out as well as a need for coordinated development of all principal channels.

The discussion draws on theories of economic development in order to integrate marketing with these theories.

MARKETING ISSUES IN PEASANT AGRICULTURAL DEVELOPMENT.

By Olav Jull Sørensen

1. Setting the Stage

"Economic history is largely the story of how to capture the peasants. Nowhere in the world have other social classes risen to power without making the many small and independent rural producers subordinate to their demands. The road to modern society has been completed at the expense of the peasantry." (Hyden 198o, p.9).

Whether we agree to this basically exploitative path to development or not, the point of departure for this article is, that economic development, generally speaking, means an integration of the peasants in the wider national and (perhaps) international economy.[1] I.e. an increase in specialization, which again requires the development of a marketing system for conveying and transacting an increased quantity and variety of goods.[2] In other words, agricultural development means a transformation of the economic structure, including a wider division of labour in which the peasants become commodity producers, consumers of manufactured goods and users of industrially produced agricultural inputs.

Thus, to have economic development (the positive side) peasants must give up their economic independence (the negative side) in a subsistence sense of the term and become dependent of the market and non-market institutions for supplies and outlets for their produce.

In reality, and in spite of a tendency towards this integration,most developing countries have, however, experienced difficulties in developing agricultural production,whether in terms of producing food enough to feed the growing population in general or the urban dwellers in particular or in terms of increasing the production of various cash crops, expected to form a base for accumulation and expansion of industrial productive capabilities.

Many reasons for this lack of development have been given, ranging from exploitation by world market capitalists over domestic exploitation by a state class; the lack of economic infrastructure and marketing facilities; the need for land reforms; the unwillingness on part of the peasants to give up their economic and political independence, to tradition and laziness of peasants, making it difficult to "modernize" agriculture.

Most of these explanations have been given theoretical backing, allthough some of them - like the thesis on laziness and tradition - have been more ideological determined and a product of Western etnocentrism. We shall, however, restrict the discussion to only one possible explanation, namely the lack of a proper marketing system to link the rural areas with the outer world.

Allthough the marketing system has attracted little interest within the field of Development Economics (which overall is supply and factors of production oriented), the marketing system is obviously crucial for the integration of the peasants in the wider economy, i.e. for the transformation of the economic structure and critical for whether peasant exploitation takes place or not. With these terms it has already been indicated, that the marketing system is more than a system for conveying and transacting goods. It is also a political battleground.

These crucial and critical roles of the marketing system will be dealt with under 3 headings. In the section to follow, marketing and peasantry will briefly be defined. Then follows, in line with traditional marketing thinking, a presentation of "models of peasants" and the marketing implications of these models. finally, a number of basic marketing issues are discussed, issues related to the principle channels, linking the peasant economy with the outer world as well as issues related to the role of the marketing system in mobilizing factors of production. Apart from the discussion of specific marketing problems, it is a basic aim of this article to link marketing thinking with various theories of development.

Finally,it should be noted, that most of the material used are dealing with Africa and examples are drawn primarily from Tanzania.

2. Defining Peasantry and Marketing

Agricultural development has been persued in the Colonial period and after independence, using a number of different institutions, ranging from developing the local institutions, e.g. the peasants as in British West-Africa, allowing white settlements, i.e. capitalist farming as in South Africa and Kenya, plantations owned by overseas private multinationals in most countries, to state farms, established in most developing countries right before or after independence.

Concerning peasants, there is no unanemously agreed upon definition of a peasant economy or the peasant mode of production. The peasant stand somewhere between "the primitive agriculturalist" and "the capitalist farmer" (Hyden 1980, p. 11 and Klein 1980, p. 9-15). Essential characteristics of the ideal peasant economy are:

1) Direct access to land (no private ownership)
2) Production by means of family members (control over own labour)
3) Production primarily for own consumption, but parts are sold on the market to pay for various goods and services
4) Farms are small
5) The farming technology is rudimentary

6) The division of labour is ridimentary and co-operation among peasants temporary
7) The peasants own the means of production they use.

This is the "person", the marketing system is dealing with. Allthough here stipulated by means of a number of characteristics, the peasant economy is not static. The way it is moving, however, depends on the situation. Critical to its dynamics is availability of land in relation to population, type of ownership, the strenght of various domestic and international groups, as well as the working of the marketing system.

The concept of marketing - in the context of economic development - is used in a macro or systemic sense (Hunt and Burnett 1982, Arndt 1981 and Hunt 1977). The marketing system is part of the economic coordination system in an economy divided by labour. Its fundamental social tasks are to uncover needs, develop product formulas, and convey and transact the goods produced according to these formulas. As economic development means structural changes and particularly an increase in division of labour, the role of the marketing system becomes more and more important both quantitatively and qualitatively in the course of development, with the marketing system itself contributing to development.

In brief, the role of the marketing system is to "link" what division of labour has "parted".

For analytical purposes the marketing system is broken down into three sub-systems, a physical structure, an organizational structure and a superstructure.

The physical structure comprises of roads, railways, means of communications etc. The physical structure has a certain permanency allthough it is not unchangeable. The dominating physical structure in many developing countries is the one already laid down early in the Colonial period.

The organizational structure is defined as the set of distribution channels at any one time. A distribution channel is defined as the set of institutions, which undertake the marketing functions, necessary to close a gap, created by division of labour. Wholesale, retail, transportation and storage and especially the mechanism for allocation are the most important institutions. In decision terms, the institutions decide upon product, price, promotion and place (the four P's).

The superstructure consists of the political and administrative institutions, which formulate and administer policies, direct and control and perhaps undertake the tasks involved in developing and running the physical and organizational structures. Allthough the superstructure has some autonomy of its own, it also reflects the economic tasks to be performed as well as the social forces at work in and the power structure of society.

This definition is broader than conventional ones, comprising physical infrastructure as well as political institutions apart from traditional marketing institutions. It also attempts to capture the fact that development means a transformation of an economic structure rather than approaching marketing from a (micro) behavioral point of view. Finally, the definition opens up for and tries to grasp the marketing system as an economic system as well as a political battleground.

In the following, we shall be less concerned with infrastructure and more with the two latter levels.

3. Models of the Peasant Economy and their Marketing Implications

In congruence with traditional marketing thinking, the analysis of the marketing system will commence with a study of the user of the system, the peasants themselves, i.e. we will depart from "the marketing concept" and "the societal marketing concept" (Kotler 1980).

The strenght of the marketing concept lies in its analysis of the needs, aspirations and behaviour of the single buyer/user/ consumer and in the following transformation of the knowledge, derived from the analysis, into a marketing programme. It is in principal an approach for adaptation to the environment, but in practice it is as useful to induce change and even manipulate the environment.

The approach is used at the risk of being accused of reducing the peasant development issue to a psychological problem. Admittedly, the risk is there, but attempts are made to see the behaviour in a larger social context, i.e. a historical and a structural context as well as the context of political power.

Like in case of a definition of the peasant economy, there is no unanimous agreement among researchers as to how to approach and view the peasant economy in Africa. Several theoretical positions exist, ranging from the view that the peasantry is subordinated the world market over views, which see the peasantry as a more autonomous mode of production with a real market exit option to Neo-Classical modernization theories, viewing agricultural development as basically a repetition of modernization of agriculture in the Western countries. (Heynig 1982).

The disagreement is partly caused by emphasis on different dimensions of the peasant economy, partly a simple result of the fact that within a country, the peasant economy varies from one region to another. The latter has often been overlooked with the result, that studies of specific areas have been claimed to be valid for the whole country and even the whole continent.

In relation to marketing, the theories of the peasant economy are too abstract and have not been developed for the purpose of deducing an appropriate marketing system for peasant development. The theories are explanatory rather than normative in character. In spite of this, it is possible to derive from them the principal marketing tasks, keeping in mind, that agricultural development requires the integration of the peasants in the wider economy.

Turning to the peasants, five models in all have been identified:

The autonomous peasants are primarily concerned with the reproduction of the family at a socially determined level and they approach the market, not as producers, but as consumers to facilitate their reproduction. The state extract a surplus through taxes or through the marketing system, but the peasants are not dependent for their reproduction on the market nor on the state. They have a real exit option,and their farming decisions are geared to the long run social and material reproduction of the family and other social ralations rather than to capital gains. The logic of the peasant mode of production is therefore to resist state interventions (except those, which directly facilitate reproduction) as they produce dependency, and to resist total absorption by the market. On the other hand, the non-peasant part of the population, including those in possession of the state apparatus, are dependent on peasants both for their daily reproduction (food etc.) and for their future political and economic position in society. They are eager to make the peasants dependent on the state and/or the market - if not to destroy the peasantry totally. This view is particularly claimed to be true for Africa (Hyden 1980).

Marketing implications: The principal task of the marketing system is to brake the autonomy of the peasants in order to be able to develop the agricultural productive forces. This is done by direct intervention in production itself rather than through a change in the market relations. If this is the case, the role of the marketing system is limited.

However, as the peasants approach the market as consumers, one possible role of the marketing system is to raise the expectations of the peasants by presenting them with consumer goods, which will facilitate their reproduction and thus indirectly make the peasants produce more for the market.

<u>The peasants, bound by traditions</u>, resist changes and prefer things as they are. In Anthropological parlance, the economic behaviour of the peasants is explained by cultural factors - attitudes, values, myths etc. and the characteristics of the peasant personality represents the main obstacle to development. In Economic terminology, the peasants belong to the "traditional sector", which is considered inferior to the "modern and primarily urban sector". The two sectors have no strong links, but a transfer of underemployed rural labour takes place as well as the selling of surplus food and export crops. (Heynig 1982).

Marketing implications: The role of the marketing system is one of encouraging the peasants to abandon their traditions. As cultural values determine economic behaviour, economic incentives are second to suggestive and educational campaigns, including the presentation of "the modern peasant life style". Taking advantage of the areas in which individuals or families are free to choose on their own, the marketing system use the laws of adoption/diffusion to modernize agriculture, expecting a trickering down effect to occur.

<u>The entrepreneurial peasants</u> are guided by economic incentives and are risk takers. Profit, capital accumulation and the development of the productive forces are the determinants of production rather than family life and the reproduction of social relations. The law of value has substituted the law of subsistence, and the peasants turn into capitalist farmers.

Market conditions largely determine what is produced for sale, and the entrepreneurial farmer is on her own searching for new methods of farming, which will render a higher profit.

The entrepreneurial peasants are found both within marxist and ortodox theories, but whereas the ortodox theories see the entrepreneurs as the spearhead of development and their behavior copied by others in a trickling down process, marxists emphasize the social differentiation, which follows from the economic behavior of the progressive farmers - the kulaks, i.e. the creation of a rural proletariate, small-scale farmers and capitalist farmers.

Marketing implications: The principal tasks of the marketing system is to present the entrepreneurial peasant with new inputs and more efficient marketing institutions in order to render them a better return on their invested capital. Consumer goods are second to capital accumulation, but more luxurious goods are attractive. It is essential that not too many restrictions are put on the marketing system as this might make the peasants give up farming or perhaps diversify and not exploit economies of scale by specialization.

The subordinated peasants are dependent upon markets, controlled by international interests. (Buch-Hansen and Kieler 1982). The peasants have no exit option and the economic calculations and decisions are made outside the peasant economy by the national or international bourgeoisie, perhaps administered through the Government. All are interested in appropriating a surplus and keeping the peasants in a dependency position by leaving only what is needed for the reproduction of the peasant family. The position of the peasant is thus to compare with that of wage labour.

The subordinated peasants are to be found within a Marxian framework. Neo-Classical Economics does, however, have a conceptual apparatus, which through the analysis of the structure of the market is able to and often do come up with the same results. In Neo-Classical parlance the terms "channel power" and "market imperfections" rather than "subordination" are used and the analysis is concerned with specific commodities rather than the relationship between peasants and capitalists as such. It thus has a more restricted use.

Marketing implications: In case the marketing system is viewed from the point of view of the purchaser of produce, the principal task of the system is "to control the conditions of production and exchange". In case we see things from a peasant viewpoint, the task is to free the peasants from subordination, e.g. by establishing countervailing power institutions.

The subordinated peasants produce most of their own food, but the marketing system must be able to provide them with a number of non-food items like clothes.

<u>The "populist" peasants</u>. The "populist" view sees the peasants as the spearheads of development rather than as a mass of people exploited by Capitalism as in the case of the subordinated peasants. Economic development - it is held - can be achieved by developing the productive forces by and large within the structure of the present peasant community. The main instruments of agricultural development are the adoption of new farming practices, by means of inputs adapted to small-scale family farms. Other principal features of populism is rural egalitarianism, nonwage labour and participation.

Following Kitching (1982) this view of the peasant economy has its roots back in the 19th century and the populist movement was especially strong in Russia. Populist reaction is again following Kitching natural in a world dominated by "economies of scale"-formulas and tendencies towards an increase in social differentiation, but "populist" development is less empirical founded and more a vision.

Tanzania is mentioned as a country persuing a populist path to development, praised by many and condemned by others. Mueller (1980), thus points out that the populist policy of Tanzania leads to "retarded Capitalism", unable to develop the productive forces and leading to perverse economic activities of capitalist farmers and public officials.

Marketing implications: As the peasant life is considered to be "the good way of living", the marketing system must adapt to a rural structure characterized by small-scale family undertakings, egalitarianism, no wage labour and participation on part of the peasants.

The marketing system must be developed with a high outreach as the units of production are small. Further, the input channel must be able to deliver inputs, able to increase productivity on small family farms. Finally, peasants must on the one hand have a say in the marketing institutions (e.g. in marketing co-operatives) and on the other hand the marketing institutions must be able to prevent social differentiation to develop. In principle, "participation" and "equality" requirements do not conflict. In practice, however, it has proven difficult to embody the two dimensions in one institution, e.g. the co-operatives. Often state institutions have been established to prevent social differentiation, because progressive farmers dominate the co-operatives.

These are the most important theories in the African setting. We might think of other types of peasants like "the structure bound peasants", where collective action rather than decisions by individual peasant families is the order. Another is "the disillusioned peasants", who are tired of development from above, broken promises etc.

The five models have all heavy theoretical backing, leaving us with the question of which theory to point out as the correct one. The answer to the question is rather important as the principal tasks of the marketing system, as shown, are rather different from one theory to another.

One might think, that the different theories apply to different African countries, but this is not so. In case of Tanzania, no less than 3 of the theories have been postulated to be the right one.

Thus, president Nyerere, in theory and practical policies, views the peasantry from the point of view of Populism (Kitching 1982, Mueller 198o, ILO 1978, Nyerere 1967).

Hyden (198o) finds the Tanzanian peasantry uncaptured and of the autonomous type, i.e. having a real exit option, in case the state tries to integrate the peasants in the wider economy.

Finally, Raikes (1982) finds the peasantry subordinated international capitalism and characterized by social differentiation, led by socalled progressive farmers.

To this can be added, that others like Ellis (1982) has found the price responsiveness to be outspoken and allthough his analysis is limited to the price factor, it is evident, that the disagreement as to how to understand the peasant economy is almost total.

This does not mean, however, that marketing researchers should stop reading theories of peasant economies. As will be clear from the next section, viewing the peasant economy from a marketing perspective might give inspiration to elaborate the theories on peasant economies and vice versa.

4. Basic Marketing Issues.

Given the fundamental tasks of the marketing system and thinking in terms of developing the system, we might analytically view the system from three angles:

1. Develop the marketing system by cutting too costly parts, i.e. minimize the costs of marketing, given demand and supply (= marketing efficiency).

2. Develop the marketing system to suit changes in demand and supply (= marketing adaptability).

3. Develop the marketing system in order to initiate changes in demand and supply (= marketing dynamics or influence).

Traditionally, the efficiency issue has dominated marketing studies but in a development context the capacity to either lead changes in demand and production to adapt to such changes are of utmost importance. Does this capacity to lead changes mean that we should argue for the marketing system to be a new "leading sector", thereby challenging the debate on balanced and unbalanced growth (Hirschman 1958 and Nurkse 1953). The answer is no. As the marketing system has the capacity to lead as well as to adapt to changes in the environment, its role must be defined specifically from an analysis of what is required to further the development process.

In this context, it must be pointed out that the three dimensions are analytically catagories and difficult to observe in an actual setting. We will, therefore, approach the fundamental role of the marketing system primarily from a channel of distribution point of view, and within that framework discuss the issues of efficiency, adaptability and dynamics.

In a larger social and development context, however, the marketing system serves other purposes than those mentioned above. Examples are resource appropriation, rural-urban migration, linking incompatible modes of production, diffuse cultural and other values etc. The importance of some of these issues in development and how they relate to the functioning of the marketing system, will also be an important part of this section.

4.1. Development of Distribution Channels

Traditionally and in accordance with Neo-Classical thinking, marketing systems in developing countries are analysed and understood from the point of view of economic efficiency, using the well known formula:

$$\text{STRUCTURE} \longrightarrow \text{CONDUCT} \longrightarrow \text{PERFORMANCE}^{3}$$

The formula has been used primarily within food distribution for the simple reason, that private traders have dominated this channel in most developing countries.

The general aim of such studies is to test for market imperfections, using the perfect competitive model as the norm. Some researchers, especially within Economics, including Agricultural Economics (Riley and Staatz 1981), have focused on structural components, e.g. the number of traders and the easiness of entrance (Preston 1968).

Others and especially those brought up in the Marketing Management tradition, have focused on conduct, particularly the business attitude of traders (Glade et.al. 1970).

Both groups approach efficiency primarily at the horizontal level of the production-distribution chain, i.e. they focus on competition and entrepreneuship respectively.

Others, e.g. Slater (197o), Bucklin (1972, ch.1), and Harrison et. al. (1974), have been more concerned with the vertical level, i.e. focusing on coordination between different levels in the production-distribution chain.

Further, the latter group is analysing the marketing system both from an institutional point of view (e.g. retailing) and from a product flow point of view (e.g. food crops), whereas the "pure" Neo-Classical thinking runs along product lines alone.

The same institutional emphasis is found more consistent in other disciplines, namely that of Economic Geography and Anthropology. Departing from the market place, a number of studies have been made of how markets are linked. These studies have given rise to various theories of the marketing system, the central place theory being the most well-known (Smith 1976 and Smith 1978). These theories focus on spatial organization of economic activity as well as efficiency.

Similar well developed paradigms as the ones mentioned above cannot be found when the marketing system consists of a mix of institutions (private traders, co-operatives and State trading organizations[4]). One possibility is to analyse such systems by comparing them to a private trading system and thereby holding the mix up against the perfect competitive model. Another approach is a means-end analysis to determine if such mixes have purposes beyond those considered within a Neo-Classical framework, e.g. political purposes.

In the following discussion of the three principal channels for produce, inputs and consumer goods, linking the peasant economy with the outer world, we will use the latter approach both in order to pinpoint the political apart from the economic rationale of marketing systems and to be able to focus more on dynamic efficiency (the capacity to change) than on the static efficiency of Neo-Classical Economics.

The Channel for Agricultural Produce

This channel consists of - at least - two sub-channels, namely one for foodstuffs, consumed in the urban and semi-urban areas and secondly, one for crops to be processed both locally and abroad, normally called cash crops.

As already mentioned, the channel for food and especially for fruits and vegetables is mostly dominated by private traders.[5)]

The food marketing problem has been described by Mittendorf (1978) as the most challenging task for the marketing system in developing countries. And rightly so, facing the facts that agricultural productivity has remained low and that the urban areas grow without a concommittant economic growth. For economic reasons as well as for political reasons, (to avoid urban unrest[6)]) food prices must be kept at a low level at the same time as marketing costs are soaring as food must be fetched from more and more remote areas, drawing more and more peasants marginally into market production. At times food is imported as this is the cheapest way of supplying the urban areas near harbour facilities.

This relocation of people from the rural to the urban areas without productivity increase and economic growth is the key issue in food marketing. Obviously, this development requires more marketing facilities, but whether the present institutions should be multiplied or new ones developed is a much debated topic.

Both because of the political importance of the food channel and because of the shere number of traders, much research has been conducted on food marketing.

The structural parameter, which has attracted the most interest, is the number of traders, the claim being that marketing costs are too high because of too many middlemen. The claim is made again and again especially by politicians, partly for the Government to avoid the blame of soaring food prices.

When it comes to research findings, a number of explanations of the many traders have been offered.

It has already been mentioned, that the demographic structure together with the lack of economic growth require more and more traders (the structural explanation), but even in the course of growth, the employment in trade grows relatively to that of other sectors (the Clarck-Fisher or economic growth explanation: Preston 1968 and 197o).

Bauer and Yamey (1951) offered the substitution explanation. They claimed the many traders to be caused by an efficient use of scarce resources: Capital and management capabilities were needed and used to develop the industrial sector.

Finally, the stepping stone explanation points out, that the marketing system is used as temporary "employment" until a job in the modern urban sector is available. We shall return to this explanation in section 4.3. (Hart 1973 and Holton 1953).

All four explanations point in the same direction, i.e. relatively many traders in a developing economy and their explanatory power in a dynamic setting is much stronger than what can be derived from using the static ideal of the pure competitive model analysis.

Turning to conduct, entrepreneuship or business attitudes is the parameter, which has attracted most interest. The lack of entrepreneuship or business sense was a sign not just of market imperfections but it was designated as a stumbling block for economic development.

Following up on Schumpeter, it was generally held in the early post-war years, that entrepreneurship was the engine of growth. Later - as Leff (1979) points out in his review article, the debate died out, partly because entrepreneurship was not as scarce as believed, partly because entrepreneurship was assocated with the development of a capitalist society, which was not accepted in many developing countries.

As to the entrepreneurship of traders in the marketing system, the picture is not unambiguous. Garlick (1971), in his studies of Ghanaian traders,found them to be very entrepreneurial and contributing to economic growth through their investments. Others like Glade et. al. (197o) and Harrison et. al. (1974) found a non-business like behavior, taking demand for given, not seeing the environment from a business opportunity point of view, tending to follow "a high margin - low turnover" formula rather than "a low margin - high turnover" formula, etc.

In conclusion none would have expected the food marketing system,universally, i.e. across countries, commodities and time, to be without imperfections. The general picture, however, is that competition is - if not fierce - then at least workable: In Economic terminology, that the food marketing system transmits prices from one level to another in an efficient manner, and the supply of marketing facilities, in the face of urban growth, approximates perfect elasticity (Ruttan 1967, Reusse and Lawson 1969, Lele 1976, Riley and Staatz 1981).

And, we might finally ask, who wants a perfect competitive marketing system? In a development context with its large capital requirements for expanding the productive capacity, fierce competition means low capital accumulation. In other words, if the competition is too strong, the marketing system will not be able to generate the capital needed to reform itself. Collins (1963) reports this to be the case in the Italien retail trade, causing outsiders to move in.

As can be seen from the literature mentioned, studies at the horizontal level dominated in the 50'ies and into the 60'ies. As from the mid-6o'ies, studies of the vertical level have dominated. Especially the Latin American Studies Centre at Michigan State University har promoted the idea of lowering food prices through improved vertical coordination and integration. The idea is to modernize the food distribution by establishing a chain of small shops and making the farmers grow more food by assuring them a market. The modernization is reasonably low on capital requirement, but in the process a number of traders will be without work.

The system devised by the Centre follows the formula of "high turnover-low margin". Such a system of semi-integration requires economies of scale, rising demand, limited competition and capital, Dannhaeuser (1981) claims, and as these conditions are rarely fulfilled in developing countries - at least not permanently, he proposes an open and more flexible system like the indigenous system.

Bucklin (1977) also denounces "the high- technology approach", associated with the Centre and proposes improvements in the Bazaar system in Asia.

Backing for this emphasis on the development of the indigenous marketing system and especially the market places, might be given by Economic Geographers and Anthropologists. Contrary to the belief of most Western marketing people, they do not see the market place as an outmoded institution, unable to change, when the environment changes. They have found the market place and the market place system to be highly adaptable to change.

On this ground, it seems reasonable to suggest, that marketing researchers of the normative orientation leave the Western modernization paradigm and investigate the potential of the indiginous institutions, taking into account their history and the developmental setting in which they have to work.

A point of departure for such proposals might be found in the numerous descriptive studies by Anthropologists of market places (Bohannan & Dalton 1962) and the systemic dimensions of market place systems can be found in theories developed by Economic Geographers (Smith 1978 and Smith 1976).

To summarize. Food marketing costs in developing countries are rising not so much because of market imperfections as due to the urban growth without a concommittant growth in urban incomes and productivity in agriculture.

As from the mid-6o'ies, the competitive approach has become less popular and studies of channel coordination have taken over. These studies have been carried out within a modernization paradigm, emphasizing channel integration and more capital intensive marketing institutions.

Reactions have pointed out, that the supply-demand situation as well as the infrastructure are not suitable for such integrated systems and the development of more flexible systems, based on indiginous marketing institutions have been suggested.

In general, research within food marketing has been preoccupied with marketing efficiency in the sense of pointing out and suggesting the elimination of market imperfections. True, market imperfections do exist, but the gains in terms of price reductions from reducing the marketing costs and margins marginally are low compared to what can be accomplished if agricultural productivity and thereby output is increased.

Such increases will at the same time tend to eliminate some of the market imperfections, e.g. hoarding and price collusions as there seems to be a direct relation between market imperfections and the gap between supply and demand for food.

Finally, we should not forget, that perfecting the market too much has the consequence of restricting capital accumulation, which again will make the best entrepreneurs seek more lucrative trades. We might find the investment pattern by traders non-purposeful from a development point of view, but if so then we will have to make sure, that the accumulation takes place elsewhere in the channel because accumulation is a necessity to further development.

The channel for cash crops consists of two sub-channels, namely a channel for direct export of agricultural raw-produce and a channel linking the rural areas with domestic processing plants, supplying the international or domstic markets.

Colonization was primarily motivated by the access to tropical crops (and minerals), but the ways of promoting the crops and organize their marketing varied from area to area and over time.

The institutional set-up will be discussed below, but before, brief attention will be paid to the relationship between pricing and agricultural production.

The issue of pricing is different in a situation, where the peasant view the farm as a business from the situation, where the farm is foremost a source of subsistence. (Kitching 1982, p. 48). In cases where for example 60-70% of the labour time is devoted to subsistence farming, i.e. providing food for a fixed number of people, market and price considerations cannot dominate the production decisions made by the peasants. On the other hand, the more the peasants produce for the market and especially the more they specialize their production, the more they are forced to view their farm as a business and become sensitive to market prices.

In most developing countries we find both heavily integrated peasants and close to subsistence communities. In the former case we expect peasants to respond to prices in the "normal" way, i.e. they produce more, when prices rise and less when they fall (Killick 1981, p. 226, Riley and Staatz 1981, p. 6).

In the latter case, the peasant family will work on the farm the hours needed to produce enough to feed the family at the socially determined level and then stop working (Kitching 1982, p. 48).

Price sensitivity must, however, not be confused with agricultural development. Peasants react to relative prices but other factors, such as the amount of family labour and land available, are also important in determining the composition of crops and the quantity produced. Land in Africa is relatively plentiful and peasants have "free" access to it. Scarcity might, however, be created, e.g. if the peasants are moved to nucleous villages as in Tanzania from 1967-76, making it necessary for the neasants to walk long distances to reach new land. Thus, by changing the relative prices, the composition of crops might change and by increasing all prices a necessary but not a sufficient condition for an increase in production is fulfilled. (Ellis 1982, p. 263-64).

Turning to the institutional set-up, Coulson (1982, p. 64) has advocated "a crisis thesis" to explain the establishment of marketing boards so typical in cash crops marketing. A crisis might be a social unrest or a war (in the colonial period) and the need for foreign currency and resources to finance development projects (after independence). In crisis situations, the Government will embark upon marketing systems, which can be controlled. A large number of small-scale traders without formalized procedures or permanent business places are difficult to control as are small-scale farmers, scattered all over. But if the small units can be organized, within "a traders association" or for example in a co-operative, then they are accessible and open to control. They might not be completely controllable, but then the third alternative, the STO can be realized.

Many boards were established during the Second World War to secure supplies of strategic crops to the European and North American market at low prices, and allthough some of them were dismantled after the war in some countries, marketing boards are a common feature of today's developing countries.

After independence, the boards have been charged with the tasks of promoting cash crops production, including new ones with a better international demand; Controlling the flow of cash crops in order for the Government to get access to foreign currency and other resources for development purposes; And alter the composition of buyers.

With the exception of the second purpose, which we shall return to in section 4.4, the marketing boards have not been too successful. In general, they have continued in the footsteps made during the colonial period (Seidman 1974, p. 2o8-1o and Sorensen 1982).

Further, they have not been very efficient. In Tanzania, for example, marketing costs are passively deducted from the world market price and the remaining (perhaps after tax reductions) is paid to the peasants .[8] The inefficiency in Tanzania is so pronounced, that Ellis (1980) has gone so far as to formulate the behavior of marketing boards into "a law of rising parastatel marketing costs". (p. 35).

In case of crops to be processed domestically, the prices paid by the factory are often fixed politically and sat low to promote domestic industry (Bates 1981, p. 20-26).

Thus, in case of cash crops, a common feature is, that economic efficiency is subordinated control over economic resources, and that this control is exercised by Governments by means of STO's.

So far we have dealt with Government control. Another issue is, how have and how can peasants use the marketing system to protect themselves economically?

This is very clearly shown in the Tanzanian case. Due to the fact that the colonial administration embarked upon peasant production for crops like coffee and cotton, the peasants gained certain economic and political strenght.

As from the 2o'ies, attempts by well educated people were made to form peasant marketing co-operatives, especially in the Lake and Kilimanjaro areas, to gain a better price for their produce and to fight the Indian dominance in trade. Some of the co-operatives became rather successful mass movements, which did not restrict themselves to economic issues. The British Colonial administration felt compelled to pass a Co-operative Ordinance in 1932, the aim of which was to set up rules to prevent co-operatives to be grass root economic and political movements. The ordinance did restore the chiefs as leaders, and thereby preventing the co-operatives to be a base for political opposition, but economically, the cooperatives could still negotiate favorable prices for its members.

After the war period, where STOs dominated, marketing co-operatives were embarked upon successfully again in the 5o'ies and ".. production rose to an extent unforseen even by the most optimistic officers before the war ..." (Coulson 1982, p. 68). This time, however, the Colonial administration was more positive. The policy was to develop commercial farming and as Saul (1973) points out, the co-operatives became the resource base for progressive farmers to develop into commercial farmers. Saul finds that the horizontal consequences of this increase in the establishment of marketing co-operatives - the social differentiation within the peasantry - is as important if not more important for agricultural development than the vertical aspect - the ability to negotiate better market terms and brake the dominating position of the indian traders.

After independence, the co-operatives were promoted further, but in 1967, when the Arusha Declaration proclamed a socialist Tanzania, STOs became popular again. Co-operatives were totally

banned in 1976, officially on grounds of inefficiency but rather likely also to arrest and weaken the position of progressive farmers.
Similar experiences with co-operatives can be found in other countries. Marketing co-operatives can be useful protective institutions for peasants. But as any other institution, certain rules must be obeyed for the institution to unfold and develop to its maximum potential. The rules laid down for co-operatives in many developing countries, give clear evidence to the fact, that other and often stronger social groups are not interested in having too strong marketing co-operatives, able to fulfil the dual purpose of negotiating higher prices to its members (the economic purpose) and of serving as the resource basis for the development of a group of rich farmers (the political "purpose"). The solution to this (political) dilemma has often been the establishment of (inefficient) STOs.

The Channel for Agricultural Inputs

Turning next to the channel for agricultural inputs, the issues of pricing and diffusion/adoption of new farming techniques have dominated. Governments have appealed to the entrepreneurial sense of the peasants by manipulating prices and accessability of land, capital and inputs like fertilizer, machinery etc. Subsidization programmes have been widespread and often used instead of increases in produce prices. This policy has, as Bates (1981) points out, the role of either facilitating the adoption of new techniques by increasing peasant income or of keeping urban food prices down to avoid urban unrest. (p.59).

As to the diffusion/adoption issue, a conceptual framework for the analysis of producer-user relations has been developed by a number of marketing researchers (Lancaster 1966, Roersted 197o, Ford 1979, and Thomassen 1981). These researchers look at a product, e.g. a harvester from a producer and user point of view and define the product in terms of a set of producer and user criteria. Depending on the set of criteria, dominating the relationship between the producer and the user, we speak of a "technology push" or "demand pull" development, but if the distance between the two sets of criteria is too large, development might stop. Essential then is, what dimensions to use to describe and evaluate the distance. Ford (1979) suggests the following five:

1. Social distance, i.e. knowledge of each other and personal contacts.
2. Geographical and cultural distance.
3. Technological distance, i.e. knowledge of products, production and process technology.
4. Time distance, i.e. the time from contact to transaction.
5. Obligations, i.e. the devotion between user and producer.

As peasant agricultural development has been practiced, it seems reasonable to characterize it as a technology push development with a relatively large distance between producer and user criteria on all five dimensions.

This is unlike the relationship between farmer and producer of agricultural inputs in the Western countries. Here, by dividing the product into an idea, construction and production phase, the user criteria tend to dominate in the beginning, but at a later stage the producer criteria dominate for the simple reason, that when the producer has established a factory, bought machinery etc., he becomes rather inflexible in his production.

Having tried out the input on the home market and adhering to modernization by technology transfer, a technology push development is inevitably the result. And a number of failures can also be foreseen. As Coulson (1982, p. 53-54) points out, resistance by peasants has on a number of occasions been interpreted as due to tradition, when it later turned out that the advice was wrong and the peasants were correct in opposing them. (see also ILO 1978, p. 75).

Thus, to make the peasants adopt new and relevant technology, their user criteria must have a bigger say and the distance must be reduced. Harper and Kavura (1982) has a case story, which comes close to these requirements.

Allthough prices and the adoption of new techniques are important issues, a number of other issues have been somewhat overlooked, e.g. the issue of steadiness in supplies (Riley and Staatz 1981, p. 6), including availability at all, the issue of coordination of input, credit and extension services, and the issue of, how the diffusion/adoption of new techniques influences the income disparity, i.e. the social differentiation in the rural areas.

The absence of agricultural results might be found in the simple fact, that supplies are not flowing steadily from year to year. Reading of newspapers around the time of planting give plenty of evidence, that the marketing system over the years has proven to be an unreliable partner. As the very existence of the peasants is at stake without steady supplies, it is not difficult to understand, that the peasants are reluctant to make themselves dependent on the marketing system.

The marketing formula, thus, seems to be "steadiness in supplies however low". On the other hand, as Kitching has pointed out (1982, p. 121), supplies - if scarce - might be spread too thinly among scattered peasants to be effective. This might take place, following a policy of fairness in distribution, but as will be pointed out below, this situation rarely occurs. Inputs tend not to reach much beyond the progressive/commercial farmers (Bates 1981, p. 59).

To take advantage of new inputs, the peasants must also have access to land, capital and education. We will leave the question of land out of the discussion. Credit (capital) and agricultural extension services are often thought of as the responsibility of the Government and separate channels, e.g. an Agricultural Development Bank and an outfit of the Ministry of Agriculture, have been developed for their flow, often causing coordination and thereby adoption/diffusion problems.

Various attempts have been made to improve the coordination, the tendency being to embed the three functions in one institution. For example, FAO established together with lo Asian countries a Rural Market Development Programme (1978-8o) in an attempt to upgrade rural markets and increase the efficiency along four dimensions: Pricing, operation, innovation (diffusion), and credit. (Mittendorf 1982, FAO 1983).

In Tanzania, the Agricultural Development Bank is virtually a marketing institution as it provides not just loans, but also inputs from the bank's own stores and extension services from its own officers. Standard packages of inputs have been developed. (Bo and Rasmussen 1982).

As a final example, contract farming is on the increase. Here the peasants are assured a "market" for their produce and from the contracting partner - a multinational firm, for example in collaboration with the Government - they receive inputs, the necessary credit and directives as to how to produce and often also how much to produce (Buch-Hansen and Marcussen 1981). In this case we might speak of semi-vertical integration (Micro-Economic parlance), organized or domesticated markets (Marketing parlance: Arndt 1979), or subordination of the peasants to capitalism (Marxist parlance), depending upon the remaining freedom of the peasants.

As to income disparity, a number of developing countries adhere to a policy, which forestalls a too large rural social differentiation. Such policy tends to conflict with modernizing agriculture as also reflected in the marketing system.

As indicated above, the traditional picture of peasants as being lazy, unentrepreneurial etc. is not an appropriate one. As the Colonial period broke up traditional social relations in the rural areas and to a large extent individualized the peasants, peasant families fight for their own survival/reproduction today. But they are not equally "free entrepreneurs". Apart from what is left of traditional authority, clan affiliations etc., the small scale peasants do not have the economic resources to expand and might be forced to leave the rank of peasants and become landless labourers or move to the city to find a job.

Cultural and economic forces are thus crossing swords in the rural areas, and we have yet to see a marketing system for inputs, which is able to reach and develop the smallest peasants and avoid the creation of a group of rich farmers. Various Governmental interventions might hold this process back, but at the risk of failing to develop the productive agricultural forces. Another path is to collectivize agriculture, but as already mentioned, individualism was furthered - if not developed - during the Colonial period to an extent of no retreat in most cases in Africa.

The Channel for Manufactured Consumer Goods

It is reasonable to believe, that unless the peasants have something they wish to buy, they are not interested in increasing production. But can we conclude the other way around, i.e. the peasants will increase production, if there is something to buy.

Allthough the majority of theories and suggestions on how to make the peasants produce more and how to integrate them further in the economy have departed from the supply side and relied on voluntarism, economic incentives and force, others have suggested to depart from the demand side. The reasoning is as follows: "The appearance of manufactured goods in the remotest weekly market places causes a rise in expectations which are not easily met. The worker and the peasant are constantly being exposed to a wide variety of consumer commodities ranging from clothing to plastic flowers. Thus, many peasants are forced into the market place as the only means by which they can acquire money to meet their families' new demands." (Forman and Riegelhaupt 197o, p. 2o3). See also Berg (1968) for the same reasoning.

This is music to the ears of the marketing man as most managerial oriented marketing theory is of the demand creation type. There is no doubt, that if the right goods are available and if Western marketing technology is used to promote them, peasants expectations can be raised. The only reservation to make is to the legitimacy of shaping needs and creating demands by using modern marketing technology. (Sethi, S. Prakash and J.E. Post 1979).

The strategy is, however, not used very much. Quite to the contrary of the strategy, most rural areas are deprived of consumer goods. The little available hardly reaches the rural areas, because of the transportation costs and the possibility of realizing even the consumer's surplus in the urban areas due to the non-mass marketing selling methods in use. Unless you have, as attempted in Tanzania, developed comprehensive allocation schemes and have a marketing system, which reaches the rural areas and is able to sell the commodities at reasonable prices, the strategy is unfeasable in a scarcity situation.

Some success might be achieved at the wholesale level, using STOs, but it is too costly for these bureaucratic organizations to go into retailing in the rural areas. Consumer co-operatives might also succeed, but they also tend to be too costly in addition to other limiting factors, e.g. embezzlements. There is no doubt that from a cost point of view, the cheapest way of reaching the rural areas is through the periodic market system. But this is not the same as assuring the peasants supplies at a low price. To do so, a buyers' market is required rather than a sellers' market, prevailing in most countries.

Another issue is the composition of goods. If we devide the consumer goods and services into individual and collective goods, we have at the same time classified them as economic and political goods respectively. In many instances, peasants cannot acquire collective goods such as schools, water, and dispensaries, by producing and selling more, because such goods are not purely economic goods. They are acquired through the political favors.

Hyden (198o), from his understanding of the African peasants as being autonomous, points out the consequences to be,that the peasants will gladly receive the goods as they facilitate the life or reproduction of the family, but they will tend not to pay anything in return (p. 3o). This cannot happen if the collective goods are made economic goods.

Summary

The discussion of marketing issues in the three principal channels, linking the peasants with the wider economy, does not give rise to any clearcut conclusions. Neither was that expected. The discussion does, however, point out some key problems as well as some overlooked issues in the three channels.

The marketing system is challenged with three real dilemmas, namely one in the food marketing system, one in the channel for agricultural inputs and one in the channel for cash crops.

In food marketing, peasants require higher prices to produce more, but at the same time it is necessary to keep urban food prices low to meet the requirements of the urban dwellers and to avoid urban unrest. As urban areas continue to grow at the same time as urban incomes and agricultural productivity are not increasing, the problem becomes worse and worse and marketing costs increase, measured as a % of the retail price. In reality, it is also a political dilemma and this is a major reason for the much research in this area.

Further, the cash crop channel has experienced the dilemma between securing the peasants a higher share of the export price by forward integration, e.g. by the establishment of marketing co-operatives and the inefficiency of the co-operatives and the peasants' lack of participation in and control over them.

The inefficiency, however, is not always or solely of the managerial type, but arises because the issue of efficiency is often subordinated that of control over resources, flowing through the channel.

The dilemma in the input channel has been partly overlooked by marketing researchers. The dilemma is one of designing a marketing channel for inputs which increase agricultural productivity by making the peasants adopt new inputs and farming methods at the same time as an egalitarian peasantry is maintained. Marketing systems for new inputs have experienced difficulties in reaching beyond the "progressive" peasants and has thereby caused social differentiation to occur.[9]

Apart from this dilemma, the input channel is bothered with a number of other problems:

- The flow of inputs is unsteady, making it risky for the peasants to adopt the new inputs.

- Prices for inputs are subsidized not just to increase peasant income, but quite the opposite to keep producer prices low.

- Inputs, credit and extension services often flow through different channels, which create coordination problems.

- When new Western developed inputs reach the peasants, producer criteria dominate user criteria, causing a number of failures.

4.2. The Coordinated Development of Three Rural-Urban Channels.

The last section, where the three principal channels were analyzed separately, must be supplemented with an analysis, cutting across the channels, the key issue being the coordinated development of the three channels.[10]

The channels for agricultural inputs and outputs are functionally linked and generate together the peasant's cash income. This income can be used in various ways ranging from being saved, invested, used for taxes or to be used for buying various consumer goods and services.

Thus, the peasants are in the nexus of the three channels, considering the input channel as the "cost channel", the produce channel as the "income channel" and the channel for consumer goods as the "spending channel".

Various approaches have been used to summarize the three channels in order to evaluate the economic situation of the peasants. The most simple way is to look at price indexes for inputs, produce and consumer goods over time and from these data series calculate the terms of trade.

A more complicated but better method is to collect data on the cash income over time and see if this income can buy a larger or smaller basket of consumer goods, taking into account changes in subsistence production, taxes etc. (Ellis 1982).

These methods only show the economic position of the peasants at any one time and over time. They do not explain the underlying causes of and forces leading to this development. They are, therefore, useful only to devise price policies, based on experiences as to supply elasticities. They cannot be used to devise failures or propose changes in the organization of the marketing system itself.

To supplement the terms of trade and the income's analysis, it is suggested to compare the institutional set-up of the three channels and from this deduce the consequences for the peasants. Tanzania will be used to illustrate the analysis.[11]

Table 1 summarizes the dominating marketing institutions within each of the three principal channels, linking rural Tanzania to urban Tanzania and export markets as well as the pricing principles used in each of the channels.

It appears that all three types of institutions: Private traders, STOs and marketing co-operatives are found in Tanzania. The general picture is, that since independence private trading has been on the decline; Co-operatives were embarked heavily upon from 1961 to 1967, but with the Arusha Declaration in 1967 and its clearly stated goal of developing a socialist Tanzania, STOs came in focus. Co-operatives were dissolved totally in 1976 but reintroduced in 1982.

As to pricing four principles have been identified in the Tanzanian setting: In brief they are:

1. The market pricing principle, where forces of supply and demand (including bargaining strenght) determine the prices paid or received by the peasants.
2. The cost-plus pricing principle, which departs from the supply side and by adding a margin to production and marketing costs, the price paid or received by the peasants is calculated.
3. The residual pricing principle, which departs from the demand side (e.g. the world market price) and after having "passively" deducted marketing costs from the price received, the peasants are paid the residual. (Ellis 1982, p. 266)

4. The political reconciliation and development pricing principle, which departs from and reflects the social forces at work in society, and is used by the Government to avoid or reconcile any conflict between social groups as well as to raise funds for development.[12]

As in the case of institutions, each channel is clearly dominated by one pricing principle, e.g. the channel for export crops is dominated by the residual pricing principle, but the overall economic position of the peasants are defined by the summary consequences of all four principles. In other words, the peasants must be able to handle four pricing principles in order to estimate their economic position.

Perhaps a multidimensional pricing system is to be expected. In "mature" societies, i.e. societies, which have had the same mode of production for long, we will find one pricing principle/type of institution. In a development context, this is not so.Here different modes exist side by side and the economy is on the way to change from one mode of production to another. Consequently we will find more pricing principles/types of institutions, e.g. the old one, the one visualized, when the transition has taken place, and others which facilitate the transition, e.g. the political reconciliation principle.

The peasant consequences of the four dimensional pricing system, used in Tanzania, is described in the last row of table 1. It appears that the principles, with a few exceptions, work to the disadvantage of the peasants.

From the analysis,it is reasonable to conclude,that if the Tanzanian peasants are a little entrepreneurial, i.e. sensitive to prices as well as free to choose, what to produce, and in which quantity, chances are that they will produce less and less for the market and more and more for subsisten-

Type of Commodity	Food Crops: Fruits & Vegetables	Food Crops: Staples – Official Market	Food Crops: Staples – Black Market	Cash Crops	Agricultural Inputs	Manufactured Consumer Goods: Imported	Manufactured Consumer Goods: Domestic
Dominating Institution:							
Wholesale Level:	Private traders, using market places or direct purchase from peasants	NMC[1] → RTC[1]	Private traders	Marketing Authorities; International Auctions; Domestic Processing Plants	NTC[1] → Marketing Authorities; Agricultural Development Bank; RTC	NTC → RTC	NTC/RTC/Private traders
Retail Level:	Private traders, using market places or shops	RTC; Co-ops; Private traders	Private traders	-	Co-ops/ Village shops[1]	RTC; Village shops; Private shops	RTC; Village shops; Private shops
Dominating Pricing Principle:	Market mechanism	The political reconciliation and development pricing principle with some cost-plus considerations		Residual pricing principle	Basicially, the cost-plus pricing principle, but also the reconciliation and development principle	Cost-plus pricing principle for the more essential goods and market principle for the non-essential ones.	
Peasant consequences:	Depends on supply and demand as well as the bargaining strenght of peasants but traders often in the stronger position	Prices fixed by Government and often low to keep urban food prices low. Black market is used extensively		Prices determined by world market conditions. Declining tendency. (2) No incentives to lower marketing costs with the result that the residual paid to the peasants has declined over time (3).	The peasants are charged the full cost of production and marketing and no incentives exist to keep marketing costs low. For price controlled items, however, marketing margins are rather low, making the marketing institutions less eager to distribute them to remote areas. Subsidized inputs have sometimes the purpose to increase peasants income, sometimes the purpose of keeping producer prices low.	Allocation schemes were introduced in 1978 in an attempt to give the rural areas a fair share of essential commodities. Its degree of succes is not documented.	

1) NMC: National Milling Corporation - a marketing authority.NTC:6 National Trading Corporations, primarily in imports. RTC: 20 Regional Trading Corporations, primarily in wholesaling, but also in retailing in urban areas. Village shops: Owned and run by village management.

2) Due to declining demand and strong oligopolistic structures of the world market as shown by a number of UNCTAD-studies (e.g. UNCTAD 1978 & 1981).

3) To this can be added, that transportation costs are high not just because of bad physical infrastructure , but also due to panterritorial pricing for some crops.

ce - as a tendency and as the price policy (if one can speak of a policy: Ellis, 1982) has been erratic, chances are that peasants will stick to a composition of crops, which can easily be changed.

Further, it can be concluded that the marketing system will tend to function in an inefficient manner.

The four dimensional pricing system is also reflected in prices for specific commodities.This can be illustrated by way of the price formula for sugar.

The price formula for sugar is shown in figure 2. Basically, the sugar price is fixed by using the cost plus pricing principle. The total direct and short term costs, make up a little less than 2/3 of the retail price of which total marketing costs account for 25% (column c.).

The remaining about 1/3 of the retail price goes to three different things:

1. A sales tax of 18,5%, reflecting Government needs for means to finance its administration and development programmes.

2. To stress the need for resources to finance development of the sugar industry, total profit has been divided into normal profit and profit for development purposes: to dedevelop the sugar industry a contribution of 6% of the retail price is made to a Sugar Development Corporation Fund. The "normal" margin is very low - .5%

3. Finally, the sugar price includes a transfer of 10% of the retail price from the Sugar Development Corporation to the National Milling Corporation to finance the subsidy of maize flour. The Political Reconciliation Pricing Principle, thus, becomes an integrated part of what is basically a Cost-Plus Pricing Principle.

Finally, it can be added that the Market Pricing Principle is waiting on the side line, grapping whatever it can divert from the official distribution channel and selling it at prices far beyond the controlled price of T.Shs. 10,-. It is not known, how much sugar is channelled through the unofficial channels, but as local beer brewers are not allowed to buy sugar for brewing through the official channels - they are customers on the black market.

Sugar pricing is thereby simoultaneously an illustration of three pricing principles, but it is also an illustration of how an institutional set up and the development processes "complicate" the pricing formula. Rational organizational thinking would break the sugar price formula into two:

1. Cost of production, administration and marketing:	65%
2. Development margin:	35%
	100%

The development margin is at the disposition of the Government and can, for example, be used as follows:

1. Industry development	6,5%
2. Political reconciliation	10,0%
3. Development administration and projects	18,5%
	35,0%

In practice, however, insitutions become small more or less conceiled boxes with their own value system and fighting for their own interests. Compromises create complicated formulas. At she same time a complicated formula gives ample room to conceal and protect these values and interests.

Figure 2: The Price Structure of Sugar (per Kg.)[1]

	(a) T.Shs.	(b) %	(c) Direct costs (5)
Maximum factory cost	4.750	47,5	47,5
Sales tax	1.850	18,5	
Factory price	6.600		
SDC-Margin and expences[2]			
Territorial freight	.618	7,5	
Adm. expenses, incl. marketing costs	.125		8,0
SDC margin	.055	6,5	
SDC Reserve fund[3]	.600		
National Milling Corp. (NMC)[4]	1.000	10,0	10,0
Wholesale buying price	9.000		
Wholwsale margin	.360		
Retailers buying price	9.360	10,0	
Retailers margin	.640		
Retailers price	10.000	100,0	65,5

1) Valid from July 15, 1980.
2) SDC = Sugar Development Corporation
3) For developing sugar production
4) Transferred to NMC to finance the subsidy on maize flour (sembe).
5) i.e. costs of production, administration and marketing

Source: Sugar Development Corporation

4.3. A system for rural-urban migration

Industrialization involves the transfer of labour form agriculture to industry in urban or semi-urban areas. This transfer is not always a voluntary one. Often peasants are forced to leave the village, because they possess no means to survive. In other cases they leave in expectation of a higher income in urban areas.

As indicated earlier, the relocation takes often place without a concomitant economic growth and creates what has been termed "the urban informal sector".

Large parts of the urban marketing system and especially the food marketing system belong to this sector, described as a non-modern sector, dominated by numerous small scale undertakings, which barely sustain the owner a living. (Hart 1973 and Bromley 1978). We, thus, are back to the issue of "too many traders", discussed in section 4.1.

The urban informal sector has basically two diverse explanations. It can be seen as a necessary or functional addendum to the modern sector without which the (ineffective) modern sector would not be able to survive. I.e. there is an exploitative relationship between the modern and the informal sector. (Moser 1978).

The other explanation views the informal sector and especially the small scale retail trade as "a stepping stone" for rural migrants looking for employment in the modern sector. Due to the easy entrance into retail trade, it functions as a social security system, while people wait for a job in the modern sector. As this job often does not turn up, the temporary trader might become a permanent trader and this explains in part the large number of traders. In other words, human survival and marketing efficiency are crossing swords in the urban distributive trade.

Although we should not fall into the trap of believing that the whole urban marketing system is one big stepping stone - most traders and especially the larger and dominating one have actually been in trade all their lives (Sørensen 1978) - the stepping stone thesis is real enough to consider the marketing system not just as a system for conveying goods, but also as a system for funelling factors of production - in this case human labour, and that this fact, especially if the modern sector cannot absorb the temporary traders, makes it necessary to evaluate and plan marketing systems within this broader framework.

4.4. A System for Resource Appropriation[13]

The marketing system is involved in yet another factor of production, namely capital. As indicated earlier, development means transforming the economic structure and to carry through the transformation, capital for investment is required. What are the sources of this capital?

Grants and loans from outside is one possibility, but as these often carry dependency with them and hardly will be enough, it is necessary to turn to inland sources. As most people live in the rural areas and as the agricultural sector is the sector contributing the most to GNP as well as being the primary source of foreign currency, it seems unavoidable that this sector must contribute to the capital formation. In other words a surplus must be generated in the rural areas and used to finance the expansion of the productive capacity of the economy.

One would imagine that, as the resources are generated by the peasants, they are the ones to invest them or lend them to potential investors. This is, however, not the case. The resources are in most cases appropriated, and our main concern in the following is the role played by the marketing system in this appropriation.

The resources can be extracted in a number of ways. In the early colonial period, conscription of labour and taxes were very popular as a means to force the subsistence producers into the production of cash crops. Later, when the peasants already were involved in the market, appropriation by means of the marketing system was used more extensively and is also very popular with the Governments after independence.

The surplus extraction issue is a central part of radical theories of peasant economies, whereas in ortodox theories, terms like profit and savings to some extent conceal, that we are facing a more or less involuntary process.

Marketing researchers, preoccupied as they are with commodities and not factors of production, have hardly seen the marketing system from the point of view of resource appropriation. Profit by traders, credit rendered by traders to peasants, investment patterns by traders and other entrepreneurial activities by traders have been dealt with (e.g. by Garlick 1971, Sorensen 1978, Leff 1979), but the appropriation approach has with a few exceptions not been used to understand the organization and operation of the marketing system.

Bates (1981) is one such exception and his framework can be useful for marketing researchers who wish to incorporate the resource appropriation thinking into that of commodity transaction.

Surplus generation, saving or whatever we term it is a developmental necessity. No one disagree to that. Resource appropriation gives, however, associations to exploitation. In principle, everybody agree that the resources appropriated from the peasants are to be invested in the expansion of the productive capacity of the economy, but the specific regions, sectors and projects to invest in is a much debated issue. The issue is made even more complex, when all the non-productive uses of the surplus are added. Bernis (1972, p. 275) points out, that allthough the agricultural surplus is not enough, "The surplus already produced in the agricultural sectors of non-industrialized countries is relative considerable. But this surplus is either withdrawn by the marketing sector in the form of profits, transferred abroad by the big trading companies ... or consumed on the spot by all the unemployed, who are shown hospitality by those fellows who still have a patch of land and productive work."

Thus, a surplus is created by the peasants, but not accumulated to the benefit of the domestic economy. And apparantly, the marketing system, as the economic link between the various economic sectors and thereby between various social groups, is the means of creaming off surplus from the peasants, as Coulson (1982, p. 65) expresses it.

We might even go so far as to say that at the early stages of development, when financial institutions have not been widely developed, the marketing system has the dual role of conveying/ transacting commodities and functioning as a financial institution, recirculating surplus generated in the rural areas by the peasants.

The key concept in this recirculation is control. Effective surplus extraction involves control over "what is produced", "the channel for the produce", and "the prices paid to the peasants". In short it requires control over the marketing system and the issue of marketing efficiency is subordinated to that of control over the marketing system and thereby over the surplus.

This does not mean, that marketing efficiency is unimportant. To the contrary, the more efficient the marketing system is the more surplus can be appropriated for development purposes.

The distribution channel is most easily controlled in case of crops, which cannot be used within the country. By establishing, for example, State trading monopolies, the peasants have no alternative channels. This is hardly possible in case of foodstuffs and STOs are, therefore, much less used in food marketing compared to export crops.[14]

In case the Government is not interested in acquiring the resources itself, institutions and schemes might be established to direct, who in the chain of production-distribution-use should have the larger share of profits.

Price control schemes have been used at one time or the other in practically all developing countries, but with rather mixed results. To have an efficient price control scheme, three conditions must be fulfilled, namely

a) well defined channels of distribution, so that the prices received/paid can be observed,
b) conscience on part of the buyers, i.e. the buyers are objecting in case of overpricing/underpricing
c) well organized price control organizations, i.e. resources enough to carry through the control.

These conditions are rarely fulfilled, especially not at the retail end of the channel and it is, therefore, difficult to direct profits by means of price control schemes.

Further, STO's and co-operatives have often been established for the purpose of expelling racial minorities from the marketing system, thereby securing employment and economic resources for the indigenous people.

Effectiveness as to surplus extraction is but only one side of the coin. The other is, who should use the surplus. Peasants have established co-operatives to combat not necessarily the (self-)extraction, but at least the control over the use of it. Co-operatives have, therefore, often been a battleground, where the progressive farmers, who are the main determinants of the use of the resources of the co-operatives, and the Government fight for control over the surplus generated.

The issue of the role of the marketing system in resource appropriation is an important one, but it needs to be researched more. Bates (1981) documents fully, that the appropriated resources rather than the commodities often is of prime concern to Governments and that they organize the system accordingly and Ellis (1983) provides a well documented example from Tanzania of the size of appropriation through the marketing system.

Until the resource appropriation aspect is part of our marketing thinking in a developmental environment, we will not fully understand, how the marketing systems work and why they are organized the way they are. We will again and again conclude that they are inefficient in linking supply with demand, but no one will listen, because we missed half of the issue. Capital reallocation is as necessary as commodity transaction in development and with financial institutions poorly developed, the dual functions must be performed by the marketing system.

5. Summary

The discussion of marketing issues in agricultural development departed from the thesis, that the development of the agricultural productive forces assumes the integration of the peasants in the wider national economy. Such integration makes a concomitant development of the marketing system a necessity.

Inspiration for the organization of the marketing system was searched for in theories of the peasant economy, following the idea of departing from the users of the marketing system, embedded in "the marketing concept". As the theories range from the completely autonomous and uncaptured peasants over the entrepreneurial to the tradition bound and subordinated peasants, no unanimous conclusion as to the principal tasks of the marketing system could be drawn from the theories.

Turning to studies of the marketing system itself, the literature is comprehensive and heterogeneous. The discussion of the marketing issues does not give rise to clearcut conclusions, comprehensive statements or convincing formulas for the design of marketing systems for agricultural development.

The major conclusions can be summarized as follows:

To comprehend the organization and working og the marketing system, it must be viewed as a system conveying and transacting commodities as well as a system for the mobilization and transfer of factors of production. By referring to the theories of the informal sector and theories of surplus extraction, it has been shown that the working of the marketing system is greatly influenced by the movement of people from rural to urban areas and greatly involved in the control over and transfer of economic resources from rural to urban/international sectors and classes.

Further, and related to the issue of resource appropriation, economic efficiency is often second to the issue of control over economic resources, when reorganizing the marketing system. This is reflected in the choice of marketing institutions and pricing principles. The rise in the number of state trading organizations can partly be explained this way.

The marketing system faces three severe dilemmas: A well-known dilemma is,that in the face of increase in urbanization without ubran economic growth, the marketing system is challenged with the task of funnelling food to the urban areas from more and more remote areas without costs and thereby price increases.

A second and less reckoned dilemma is the simoultaneous adoption/diffusion of new inputs to increase agricultural productivity and the avoidance of an increase in social differentiation in the rural areas. It has shown to be difficult to reach beyond the progressive farmers with new inputs.

A third dilemma is between the attempts to increase peasant participation in marketing by the establishment of co-operatives and the too well documented inefficiency and misuse of the same co-operatives.

Finally, the overwhelming majority of marketing studies are rooted in what is commonly referred to as "the modernization paradigm". Underlying the studies is a stage model of growth, universially applicable and the next stage is reached by the infusion of Western marketing thinking and institutions. As radical theories focus on economic relations between social groups and classes to a larger extent than orthodox theories, marketing researchers can undoubtedly find inspiration in these theories. Because the marketing system is not just a functional system conveying goods from point a to b, but a social system, linking economically the various social groups and classes in society.

Footnotes

1. In the following termed the wider or outer economy or world.
2. The term transaction is used to cover all mechanisms of allocation (the market, command, reciprocity etc.).
3. Examples are Holten 1953, Galbraith and Holten 1955, Bauer 1954, Mueller 1959, and Jones 1972.
4. In the following abbreviated to STO.
5. Marketing co-operatives, STOs as well as consumer co-operatives are also used in a number of occasions, e.g. to purchase and market staples. (Creupelandt 1983). The discussion of these institutions will be done in relation to the channel, they dominate.
6. Bates (1981) reports a number of instances, where a price increase on food gave rise to urban unrest - often with severe political consequences, such as the removal of the present Government. (p. 33-34).
7. As to Colonial coercion, the independent states tried to do away with it. It was generally held, that once liberated, people would move towards development voluntarily, perhaps following political and ideological appeals. The establishment of marketing co-operatives would be a natural ingrediens of such a voluntary move. But things did not move, at least not as fast as or in the direction the Governments wanted and it is not uncommon to see voluntarism be substituted for incentivism which again is supplemented with various types of coercion. A case in point is the resettlement of millions of Tanzanian peasents in the Years 1967-76. (Coulson 1982 and Mueller 198o).
8. The smaller and smaller share of world market prices received by the peasants is documented in Bates (1981, p. 136-145).
9. Some argue that this is not a dilemma, but a self-contradiction. The development of agricultural productive forces cannot take place without social differentiation within an economy, where the market play an important role. And, further, the trickling down effect has not been as high as expected. If you have to develop agricultural productivity, better look for ways and means to soften the human consequences of the process of social differentiation.
10. And perhaps a fourth channel, namely an inter-rural channel. This channel has to be developed, if the agric-ltural policy aims at a wide division of labour within food production.
11. The analysis is a summary of an unpublished paper by the author: Pricing Principles in Tanzania and their Socio-Economic Implications. Aalborg University 1982.
12. You might argue, that the only existing pricing principle is number four, as the political process will determine which pricing principle to use where. Sometimes, however, the Government does not have the choice, because a choice presupposes the ability to control. In any case, we will be able to reveal, who has the political strenght and what are the

the economic consequences for various social groups, if we study the mix of pricing principles actually used.

13. The terms resource appropriation and surplus extraction are used interchangeable.

14. A second reason for the dominance in export crops is the Government interests in controlling the flow and use of (scarce) foreign currency.

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